

Washington State Auditor's Office

Audit Report

City of Mukilteo Snohomish County

Audit Period
January 1, 2000 through December 31, 2000

Report No. 62735

Issue Date
October 24, 2001



Washington _____
State Auditor

Brian Sonntag

Audit Summary

**City of Mukilteo
Snohomish County
January 1, 2000 through December 31, 2000**

ABOUT THE AUDIT

This report contains the results of our annual independent audit of the City of Mukilteo for the period January 1, 2000, through December 31, 2000.

We performed procedures to determine whether the City complied with state laws and regulations and its own policies and procedures. We also audited the City's general purpose financial statements and evaluated internal controls established by management. Our work focused on specific areas that have potential for abuse and misuse of public resources.

RESULTS

In the areas tested, the City complied with state laws and regulations and its own policies and procedures. We did not identify any conditions significant enough to report as findings.

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Snohomish County
January 1, 2000 through December 31, 2000**

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Description of the City

City of Mukilteo Snohomish County January 1, 2000 through December 31, 2000

ABOUT THE CITY

The City of Mukilteo has a population of 18,019 and encompasses 6.4 square miles in Snohomish County. City boundaries abut the City of Everett and Paine Field Airport to the east and the waters of Puget Sound to the north and west. A council-mayor form of government administers the City. There are seven elected Council Members and an elected Mayor. The City's annual budget for 2000 including all funds was \$18,540,263. The City's 79 full-time employees provide an array of services including police and fire protection, emergency medical services, street maintenance, surface water management, planning and zoning, library facilities, parks, recreation and general government services.

ELECTED OFFICIALS

These officials served during the audit period:

Mayor	Donald L. Doran Jr.
City Council:	Bruce Brown
	Eileen Hinds
	Ken Kromann
	Joe Marine
	Harold Quinby
	Cathy Reese
	Bruce Richter

APPOINTED OFFICIALS

City Administrator	Richard Leahy
Building Official	James Bennett
Community Development Administrator	Sharon Freeman
Community Center Director	Mic Heffron
Finance Director	Thomas Carlson
Fire Chief	Jack Colbath
Planning Director	Heather McCartney
Police Chief	Mike Murphy
Public Works Director	Thomas Hanson
City Attorney	Ogden, Murphy & Wallace

ADDRESS

City	4480 Chennault Beach Road Mukilteo, WA 98275
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Audit Areas Examined

City of Mukilteo Snohomish County January 1, 2000 through December 31, 2000

In keeping with general auditing practices, we do not examine every portion of the City of Mukilteo's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the City were examined during this audit period:

LEGAL COMPLIANCE

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Budgets
- Bid laws and prevailing wages
- Police Department – concealed weapons permits, citation controls and evidence
- Verified that one fund did not benefit from another
- Long-term debt
- Open Public Meetings Act
- Elected officials compensation
- Insurance
- Ethics/conflict of interest laws and policies

INTERNAL CONTROL

We evaluated the following areas of the City's internal control structure:

- Cash receipts
- Purchase of goods and services
- Assessment receivables
- Petty cash funds/change funds
- Deposit reimbursements
- Cash disbursements
- Payroll
- Treasurer's checking account
- Fixed assets and small and attractive assets

FINANCIAL AREAS

In addition to the financial-related work listed in other categories, we audited the following areas:

- Overall presentation of the financial statements
- Cash and investments
- Prepaid expenses
- Long-term debt
- Accounts receivable/local improvement districts
- Accounts payable
- Employee leave benefits

Audit Overview

City of Mukilteo Snohomish County January 1, 2000 through December 31, 2000

AUDIT HISTORY

The City of Mukilteo is audited annually. One of the five prior years' audits had some areas of concern reported as findings. In the last few years, City officials have been able to increase their evaluation of risks associated with City operations and have worked to develop policies and procedures to control and monitor those risks. Consequently, the City of Mukilteo has received no audit report findings in its previous four audit reports or in this audit report.

City management has taken a proactive approach to identifying potential internal control weaknesses. When issues are noted during the course of an audit, City management is very responsive and concerns are often addressed and resolved prior to the end of the audit.

CONCLUSIONS

In areas tested, the City complied with state laws and regulations and its own policies and procedures. We did not identify any conditions significant enough to report as findings.

City officials and management are committed to maintaining a comprehensive framework of internal controls to address its operational effectiveness and efficiency, legal compliance and financial reporting. During the audit, we spent a significant amount of time evaluating the City's revenue collection and disbursement process. We found the City has established adequate internal controls and processes of independent monitoring. City employees understand internal controls and appear committed to safeguarding City assets.

We thank City officials and personnel for their assistance and cooperation during the audit.

Independent Auditor's Report on Compliance with State Laws and Regulations

City of Mukilteo Snohomish County January 1, 2000 through December 31, 2000

Mayor and City Council
City of Mukilteo
Mukilteo, Washington

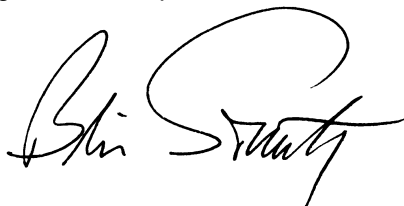
We have audited the general purpose financial statements of the City of Mukilteo, Snohomish County, Washington, as of and for the year ended December 31, 2000, and have issued our report thereon dated August 28, 2001.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the City complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the City's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the City and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the City complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the Mayor and City Council and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



BRIAN SONNTAG, CGFM
STATE AUDITOR

August 28, 2001

Independent Auditor's Report on Financial Statements

City of Mukilteo Snohomish County January 1, 2000 through December 31, 2000

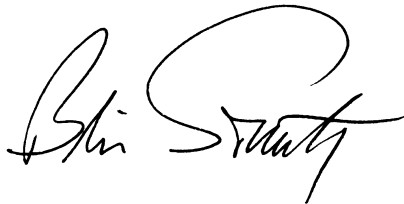
Mayor and City Council
City of Mukilteo
Mukilteo, Washington

We have audited the accompanying general purpose financial statements of the City of Mukilteo, Snohomish County, Washington, as of and for the year ended December 31, 2000. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Mukilteo, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of State and Local Financial Assistance is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.



BRIAN SONNTAG, CGFM
STATE AUDITOR

August 28, 2001

General Purpose Financial Statements

**City of Mukilteo
Snohomish County
January 1, 2000 through December 31, 2000**

GENERAL PURPOSE FINANCIAL STATEMENTS

Combined Balance Sheet – All Fund Types and Account Groups – 2000
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – All
Governmental Fund Types and Expendable Trust Funds – 2000
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Budget
and Actual – Governmental Fund Types – 2000
Combined Statement of Revenues, Expenses and Changes in Fund Equity – All
Proprietary Fund Types – 2000
Combined Statement of Cash Flows – All Proprietary Fund Types – 2000
Notes to Financial Statements – 2000

ADDITIONAL INFORMATION

Schedule of State and Local Financial Assistance – 2000